



NASA Financial Management Manual

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FMM 9010 OBJECTIVES AND POLICIES OF FINANCIAL ACCOUNTING AND REPORTING

9011-1 PURPOSE

This chapter sets forth the basic objectives of NASA's accounting and reporting management system and the general policies to be followed in carrying out those objectives. These policies constitute the basis for development and implementation of the NASA system for financial accounting and reporting, in accordance with Federal accounting standards.

9011-2 APPLICABILITY

The provisions of this chapter are applicable to NASA Centers.

9011-3 OBJECTIVES

The fundamental objective for the NASA financial accounting and reporting system is to satisfy, in an efficient and economic manner, the needs of responsible NASA officials for reliable, accurate, timely, and complete financial data, in order to ensure effective:

- a. Administrative control over and accounting for appropriations and apportionment's so responsible officials may establish and document that NASA financial transactions are within amounts and for purposes legally authorized and administratively approved;
- b. Budget formulation and execution;
- c. Management and deployment of resources to achieve optimum results in the execution of missions and conduct of activities;
- d. Control over property and other assets; and
- e. Responsiveness to the requirements of the Congress, the General Accounting Office, the Office of Management and Budget, the General Services Administration, the Department of the Treasury, and other external agencies with respect to financial operations and status.

9011-4 GENERAL POLICIES

- a. NASA's policy is that the management of finances involved in the execution of NASA missions and the conduct of NASA activities is an integral and essential element of the total management function and responsibility of the agency and officials at all levels of the organization. This policy is based in part on the following considerations:



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- (1) NASA is entrusted with public funds and charged by law with the responsibility for control over and accounting for the expenditure of those funds.
- (2) Within the law, and consistent with sound and conscientious discharge of NASA's public responsibility, the expenditure of funds must be accomplished so that missions are executed and activities conducted in the most efficient and economical manner.
- (3) The expenditure of public funds is not merely a ministerial function, but a discretionary function which requires the exercise of sound judgment based on reliable information.

b. Financial management functions that are inherently Governmental in nature shall be performed by Federal employees. Office of Management and Budget (OMB) Circular A-76, "Performance of Commercial Activities," and its Appendix 5, Office of Federal Procurement Policy (OFPP) Letter 92-1, "Inherently Governmental Functions," provide Government-wide regulations and guidelines concerning this policy. OFPP Letter 92-1 defines an "inherently Governmental function" as one that:

"...is so intimately related to the public interest as to mandate performance by Government employees. These functions include those activities that require either the exercise of discretion in applying Government authority or the making of value judgements in making decisions for the Government. Governmental functions normally fall into two categories: (1) the act of governing, i.e., the discretionary exercise of Government authority, and (2) monetary transactions and entitlement."

Center management should ensure there is an adequate staff of trained and experienced Federal employees in appropriate positions to ensure proper management of the various financial management activities and effective internal controls over monetary transactions.

Where functions are contracted out which are not inherently governmental, but closely support the performance of inherently governmental functions, management shall provide an enhanced degree of oversight of contractor performance of these activities to ensure that any final action regarding these activities complies with Federal laws and policies and reflects the independent judgement of agency officials and that there is reasonable identification of contractors and their work products.

- c. With respect to projected goals for and actual consumption of, human and material resources (as expressed in financial terms), both provisions of law and management policy require NASA budget formulation and execution be based on projected costs to establish goals for commitment, obligation, cost and expenditure, and that the financial accounting and reporting system be designed to measure actual results in those same terms.



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- d. Basic statutes provide that obligations may not be incurred and expenditures may not be made unless there is an appropriation or fund balance available (see FMM 9041-4). Also, appropriations by the Congress are requested, made, administered, and accounted for in terms of authority to obligate and expend. NASA accounting records must identify obligations incurred and liquidated with the applicable appropriation.
- e. The basic instrument by which NASA meets the objectives set forth in Section 106 of the Budget and Accounting Procedures Act of 1950, as amended, is the Agencywide Coding Structure (AWCS) which sets forth a uniform classification of all NASA activity and is used in the collection, reporting, and presentation of financial information for a variety of purposes including planning, budgeting, accounting and reporting. The coding structure (FMM 9100) has been designed to meet the management needs of Headquarters Offices and NASA Centers. All NASA financial transactions will be classified and coded in accordance with the AWCS.

9011-5 FINANCIAL ACCOUNTING AND REPORTING POLICIES

The following policies, related to financial accounting and reporting apply throughout NASA:

- a. Financial accounting and reporting will be performed at the highest level of aggregation possible commensurate with established objectives. Duplicate records and reports will be avoided, and Headquarters and Center requirements will be combined and integrated to that end. Centers will determine operating procedures wherever possible. The NASA Financial Management Manual (FMM) will establish minimum requirements for the agencywide financial accounting and reporting system.
- b. The accounting system will provide internal controls for safeguarding assets, ensuring that bills are promptly processed for goods and services sold, promoting the accuracy and reliability of financial data, and encouraging adherence to approved policies. The system of checks and balances will be sufficient to disclose conditions and transactions not in conformance with legal, administrative and accounting requirements, and to ensure that funds are disbursed only for purposes for which they are legally available and administratively authorized. Recorded transactions will be adequately documented so they may be traced from original documents to financial statements.
- c. Accounts will be maintained on a decentralized basis. Reciprocal accounts will be maintained by the Headquarters Financial Management Division (BF) and each Center to control total funds and other resources. Each Center will maintain one general ledger which will align Government fiscal accounting procedures and requirements with generally accepted commercial and industrial accounting principles and practices. Although a uniform chart of accounts is prescribed for use by Centers, additional subdivisions of those accounts may be established providing the subdivisions are directly combinable into the Agencywide chart.
- d. Agency program and fund management concepts and systems require that commitments be recorded in order to provide a certified reservations of funds to support the awarding of obligations (see FMM 9030).



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- e. Payments will be recorded in accounts and reported at the level of the NASA Agencywide Coding Structure (AWCS) to facilitate administrative control of funds and assist in budget formulation and execution, including commitments, obligations, and costs.
- f. Cost accounts will be maintained on an accrual basis, i.e., costs and income will be recorded in accounts in the period in which incurred or earned (see FMM 9060). In the application of this policy, every effort will be made to ensure a comprehensive accrual at fiscal year-end, and reasonable efforts will be made to record costs accurately on an accrual basis each month.
- g. Obligations are liquidated on the accrual basis, i.e., when goods or services are received and related costs are recorded. Costs will be classified in accounts according to the appropriation, which financed the costs. Costs will be reconciled to obligations incurred at the appropriation level for each Center. Within each appropriation, costs will be classified first by AWCS and then by those capitalized and expensed as a cost of current operations. The system of classification will be uniform so that total costs including overhead may be determined irrespective of which appropriation financed the costs or whether the costs are finally accounted for as capital or expense. Where it is necessary or desirable to specify agencywide treatment of a cost item or method of cost allocation, Centers will adopt the specified treatment or method for internal operations and reports as well as for reporting to Code BF.



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- h. Disbursements will be charged only against costed obligations. In the case of contracts funded with multiple appropriations, disbursements will be charged directly against the specific, underlying costed obligations in instances where there is sufficient data to make a direct linkage. This is the preferred method of charging disbursements against obligations. In the absence of sufficient linkage data as determined above, the Deputy Chief Financial Officer (Finance), in consultation with the cognizant contracting officer, will use estimating techniques to develop paying instructions that will be used to charge disbursements against costed obligations. The paying instructions should result in a reasonable allocation of the disbursement to costed obligations based on the nature of the work performed. Payment methods that direct that payments be made from the earliest available fiscal year funding sources, or that provide for proration across appropriations assigned to the line item, or a combination thereof, may be used if that methodology reasonably reflects how much each of the appropriations support contract performance. Paying instructions should be revised as necessary to achieve the intended purpose of a reasonable allocation of payments among appropriations based on work actually performed and estimates of future performance. Paying instructions shall be documented. Where a standard or general practice is followed for recording disbursements on contracts funded with multiple appropriations, the documentation shall describe the practice. The documentation shall be available for review. Where payment instructions for a multiple-funded contract differ from the standard practice, those documented instructions shall be retained in payment records together with the associated paid contractor invoices. Adjustments to the appropriations actually charged resulting from revised paying instructions should be promptly recorded.
- i. Government-Owned/Held property, other than real property and materials held for issue, which are located at another Center, will generally be recorded by the Center where the assets are physically located. When such assets are physically located at other than the funding Center, accountability may, by mutual agreement, remain with the funding Center. Real property will be recorded and reported by the Center where the real property is physically located.
- j. Government-Owned/Contractor-Held Property, Plant and Equipment (PP&E), and materials held for issue, will be recorded and reported by the Center having cognizance of the contract under which the contractor is accountable--whether or not property administration is assigned to others. When contractor-operated facilities are located on a NASA Center, real property will be recorded and reported by the Center where located.
- k. Inventories, Government-Owned/Held materials, supplies and non-capital equipment in inventory will be classified uniformly in the general ledger accounts (see FMM 9253). Items purchased specifically for use on a project may be charged directly to the project providing the items are used, consumed, or applied within a reasonable period of time. Materials, supplies, and non-capital equipment, not charged directly will be priced at average costs when issued for use. Inventory accounts will be supported by inventory records, which will be reconciled with the controlling accounts.



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- l. Statistical sampling may be used in the examination of payment documents in amounts of \$2,500 or less when it has been demonstrated that economies will be achieved and a valid statistical sampling plan is used. A valid statistical sampling plan must provide the basis for the certification of payment including the following:
 - (1) A description of the objective of the audit and the appropriate universe of payment documents defined in quantitative terms. The audit emphasis must be commensurate with the risk to the Government. Statistical sampling of all payment documents not subject to complete audit coverage is required.
 - (2) Appropriate sampling methods and sample size needed to meet the audit objective.
 - (3) Appropriate procedures for estimating the characteristics of the universe of payment documents from the data sampled.

Internal controls will be established to effectively monitor errors detected within the sampling process to ensure undetected payment errors are minimized. If more than the predetermined number of sample errors is found, management action is required.

- m. Quality Assurance Evaluations will be conducted to provide responsible NASA officials with an independent evaluation of the degree to which NASA financial accounting and reporting systems conform to the principles and standards prescribed. Such reviews shall also examine the extent to which the concepts and application of NASA financial accounting and reporting systems are adequate to permit responsible NASA officials to exercise proper financial controls.

9011-6 RESPONSIBILITIES

- a. The Director, Financial Management Division, NASA Headquarters, is responsible for establishing policies, standards and procedures applicable to NASA financial accounting and reporting functions and activities, and conducting periodic, systematic reviews of Center financial accounting and reporting practices.
- b. At Centers, the Deputy Chief Financial Officer, Finance (DCFO (F)) is responsible for application of the provisions of the FMM and the needs and directives of Center management, under functional direction of the Director, Financial Management Division, NASA Headquarters.
- c. Officials-in-Charge of Program Offices shall determine management needs for data, status information, estimates and reports, consistent with these provisions and the FMM.

9011-7 DEVIATIONS

- a. Requests for exceptions from these policies should be made only when circumstances and urgently compelling reasons justify departures from regulations and requirements of other agencies and NASA management needs for uniformity and consistency.
- b. Requests for exceptions will be submitted in writing through the Center DCFO (F) to the Director, Financial Management Division, NASA Headquarters.



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